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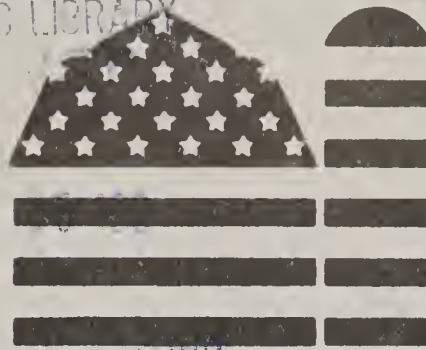
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FARMERS' NEWSLETTER

Wheat

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January 80/W-11

CURRENT SERIAL RECORDS

The cutoff of U.S. grain to the Soviet Union and the subsequent changes in the Government wheat program created a rapidly changing situation that was still unfolding as we went to press with this newsletter: To recap things thus far:

Under the fourth year (Oct. 1, 1979-Sept. 30, 1980) of the US/USSR Grains Agreement, the Soviet Union had approval to buy up to 25 million tons of U.S. grain, of which roughly 7 million tons were expected to be wheat.

Total grain shipments are now limited to the minimum agreement level of 8 million tons. About 3 million tons will be wheat.

The suspension of sales to the Soviet Union caused projected U.S. wheat exports to be adjusted downward by about 75 million bushels (about 2 million tons) to 1,325 million bushels, or just over 36 million tons. To offset the impact on prices caused by the suddenly larger available supplies, the Government took immediate steps to remove that wheat from the market.

- To assure that the unshipped wheat previously destined for the USSR is taken off the market, the Commodity

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The next wheat newsletter is scheduled for early March.

Credit Corporation (CCC) will purchase 150 million bushels (4 million tons), which include outstanding contracts. The CCC will not put this wheat back on the market, but instead will use it for future foreign aid commitments.

- The 1979 loan rate was raised from \$2.35 to \$2.50 a bushel, which automatically raises the release and call level to \$3.50 and \$4.38 for wheat currently in the farmer-held reserve. For wheat put in the reserve after January 7, the release and call levels were set at \$3.75 and \$4.63, respectively.

If you had wheat in the reserve before January 7, you have the option of signing a new reserve contract with the higher values.

The higher loan rate will help with your immediate cash needs. If you had 1979 wheat under loan prior to January 7, you can go to your local ASCS office and claim an additional 15 cents per bushel on this grain.

The higher call price reduces the likelihood that reserve stocks will be forced onto the market in the near future.

- The Government also raised storage payments for any grain in the reserve by 1-1/2 cents to 26-1/2 cents a bushel. Remember, you can still put your 1978 wheat under loan and eligible 1979 loan wheat directly in the reserve.

- If conditions warrant, a paid acreage diversion program may go into

effect to prevent excessive 1980 production. Look for a decision by March 1.

Higher Target Price?

Last fall, both the House and Senate approved bills to increase the target price for wheat. There are still differences to be settled, but it appears the 1980 target price could be around \$3.63 per bushel.

The bill also would give the Secretary of Agriculture authority to require you to plant within your normal crop acreage (NCA) to be fully eligible for farm program benefits when no set-aside or land diversion is required.

Bumper Winter Wheat Acreage

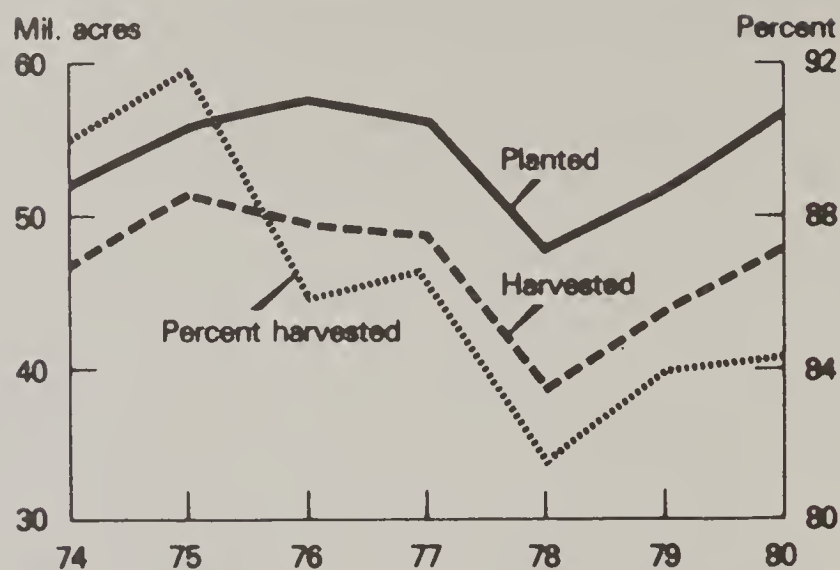
The December Small Grains report, indicating acreage planted to winter wheat last fall, provided the first clue to the size of the 1980 wheat crop. Usually, winter wheat accounts for about three-fourths of the entire crop.

WHEAT SUPPLY AND USE UP

	1977/78	1978/79 Preliminary	1979/80 Forecast*
<i>Million Bushels</i>			
Supply:			
Beginning			
stocks	1,112	1,177	925
Production . . .	2,036	1,798	2,142
Imports	2	1	2
Total supply . .	3,150	2,976	3,069
Use:			
Food	586	591	595 ± 5
Seed	80	87	95 ± 5
Feed	183	179	100 ± 30
Exports	1,124	1,194	1,325 ± 100
Total use	1,973	2,051	2,115 ± 110
Ending stocks . .	1,177	925	954
<i>Dollars per bushel</i>			
Avg. farm price . .	2.33	2.94	3.60 - 3.90

*As of January 9, 1980.

WINTER WHEAT ACREAGE NEARLY 10 PERCENT OVER LAST YEAR



1979 preliminary. 1980 indicated as of December 1.

Farmers seeded nearly 57 million acres of winter wheat, 5 million more than a year ago, and the most since 1976.

As many of you were firming up your planting decisions last August-October, wheat at the farm ranged around \$4 a bushel and new-crop futures (July 1980) also looked good. This, coupled with no set-aside requirements, largely explains the expanded acreage.

In fact, most of the increase comes from the roughly 7 million acres that you put into last season's 20-percent set-aside program. Hard Red Winter growers increased seedings about 8 percent, while Pacific Northwest growers, who produce mostly White wheat, upped plantings 4 percent.

Wet soils and a slow soybean harvest caused seeding delays in eastern areas; still, Soft Red Winter producers planted 25 percent more than last year.

Overall, the crop looks fair to good with major problems limited to some areas in the southern Plains, particularly southern Kansas, where lack of snow cover caused concern about wind erosion. Reflecting conditions on January 1, yields could be off from last year's record 37 bushels an acre.

Even so, the 1980 winter wheat crop,

currently estimated at 1,568 million bushels, would be nearly as big as last year's near-record harvest.

Weather, of course, remains the big unknown. But based on past experience, the chances are 2 out of 3 that this estimate will not differ from the final production figure by more than 125 million bushels.

The Prospective Plantings report of January 21 provides the year's first indication of planned spring wheat acreage...and another major clue to the size of the total 1980 U.S. wheat crop.

Growers indicated they'd plant about a million more acres of spring wheat than last year. Of this, roughly 800,000 acres were Durum wheat as producers responded to strong prices for Durum.

Bear in mind, though, that the report reflects planting intentions as of January 1--before the President suspended grain shipments.

Reserve Program Changes Possible

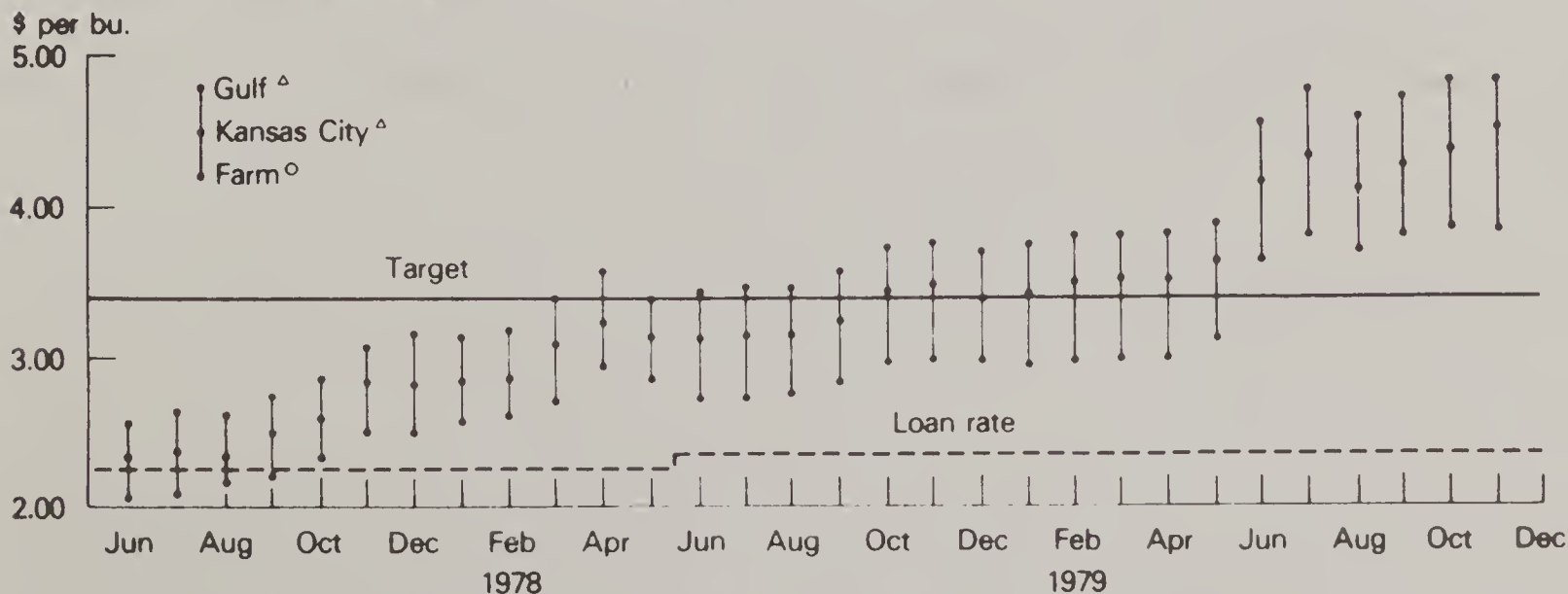
Although the grain reserve program has performed well since it began 3 years ago, year-to-year variations in U.S. and world grain supply and demand conditions during the 1980's

could lead to unstable prices and market disruptions.

For that reason, the USDA has taken a hard look at the program with an eye to changing it to promote more orderly marketing and reduce potential market disruptions. ASCS is now asking for public comments on several proposals that may lead to permanent revisions this crop year. Under consideration are:

- Revising the method for computing the national average farm price. This price is used to determine the status of the reserve: that is, whether the wheat may be released or called.
- Revising the call procedure to extend the release period for 30 days when the average farm price is at the call level at the end of a release period. In effect, this allows you 30 more days to decide how to market your stored grain before meeting call requirements.
- Allowing you 90 days to redeem or forfeit your grain after the call has been reached. Now you have only 30 days.
- Instituting a trigger point midway between release and call, at which loan interest charges resume, if previously stopped.

PRICES UP SHARPLY FROM A YEAR AGO



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- Continuing the release period for 60 days instead of 30, after the initial release period is announced.

The January 4, 1980, Federal Register outlines these proposals in detail. Some changes in the reserve program have already been made to lessen the impact of the suspension of grain shipments to the Soviets. However, if you wish to comment on any of the proposals, you have until March 4.

Send your remarks to:

The Director
Price Support and Loan Division
USDA-ASCS
Rm. 3741 South
Box 2415
Washington, D.C. 20250

Impacts of the Revisions

Among revisions already taken to ease the impact of suspended sales to the USSR, were raising the release and call levels and widening the spread between them. This will help strengthen prices.

Other changes would reduce potential market price fluctuations by allowing more orderly marketing of reserve stocks. In effect, they reduce the

risks of forcing large volumes of grain into the market in a limited time span.

A New Effort To Boost Wheat

Foreign demand for U.S. wheat has grown dramatically, but here at home wheat use has not kept pace with population growth: Over the past 50 years, U.S. per capita consumption of wheat flour has fallen about 50 percent.

In response to a continued downturn in white bread use, certain segments of the wheat industry have proposed a major program--similar to those already existing for potatoes, eggs, and cotton--to promote the nutritional and economic value of wheat-based foods.

While the program does not directly involve producers, you stand to benefit if it's successful in stimulating domestic demand for wheat products.

The proposal includes a USDA-monitored Wheat Industry Council that would conduct research and educational programs to inform consumers about bakery products and dispel misconceptions. Program backers say that a slice-a-day increase in per capita bread consumption would boost U.S. wheat use by 20 percent.